

**IN THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE**

IN RE: PETITION OF UNITED CITIES)	DOCKET NO. 01-00510
GAS COMPANY FOR EXPEDITED)	
APPROVAL OF AUTHORITY TO)	01 JUN 26 AM 9 00
PURCHASE FUTURES CONTRACTS)	
FOR THE WEATHER HEATING)	EXECUTIVE SECRETARY
SEASON OF 2001-2002 ON AN)	
EXPERIMENTAL BASIS)	

ATTORNEY GENERAL'S NOTICE

Comes Paul G. Summers, the Attorney General & Reporter, through the Consumer Advocate and Protection Division of the Office of Attorney General (hereinafter "Attorney General"), pursuant to Tenn. Code Ann. § 65-4-118, and notifies the Tennessee Regulatory Authority that the Attorney General is not prepared at this time to intervene in this matter.

On June 12, 2001, United Cities Gas Company ("UCG") filed a petition for expedited approval of authority to purchase futures contracts for the weather heating season of 2001-2002 on a experimental basis. The matter has been placed on the agenda of the June 26, 2001 TRA Conference. UCG has responded to data requests from both the TRA staff and the Office of the Attorney General. UCG completed its response to the Attorney General's data request on June 25, 2001. At present, the Office of the Attorney General, Consumer Advocate and Protection Division is still reviewing this material.

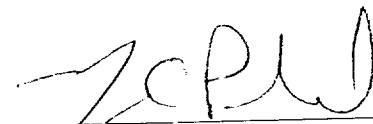
The natural gas prices during the winter of 2001 caused significant hardship to Tennessee consumers. It is important that the gas utilities and the TRA consider measures which may mitigate the impact of similar future price climbs. However, it is also important that the extremity of the winter of 2001 be kept in perspective.

The pilot concept presented by UCG in the present docket merits consideration. Certainly

the Attorney General does not object to an expedited review of the petition. However, the matter may not be ripe for review. The fact that this is a experimental program, which will be subjected to review should UCG make a similar proposal next year, mitigates in favor of preceding at such a pace. In the practical sense there seems to be no need for such urgency. For the years 1996 through 2000 gas futures prices either steadily declined or remained level for the months of June and July.¹ According to the data, there is no need to proceed with approval of this matter prior to thorough review. This matter would more appropriately considered at the July 10, 2001 TRA Conference.

Even if the petition is reviewed now or in the future, two (2) potential problems should be strongly considered with UCG's petition. First, by refusing to include the futures purchase within the Performance Based Ratemaking, UCG places all the risk of this program on the consumers. UCG should share the risk with consumers. This will encourage UCG toward more sound decisions with respect to futures purchases. Second, and as corollary to the first, the TRA might consider a cap on the futures prices authorized under the program. While the UCG petition mentions that they would like to purchase below \$5.00 per MMBtus there is no firm commitment from UCG toward making this a cap.

Respectfully submitted,



TIMOTHY C. PHILLIPS, B.P.R. #012751
Assistant Attorney General
Office of the Attorney General
Consumer Advocate and Protection Division
P.O. Box 20207
Nashville, Tennessee 37202
(615) 741-3533

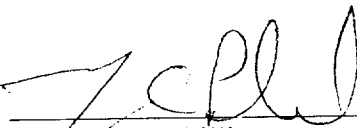
¹ NYMEX Henry Hub Futures Daily Settlement Prices, 1/95 to 5/01

Certificate of Service

I hereby certify that a true and correct copy of the foregoing was served via hand delivery on June 26, 2001.

Richard Collier, Esq.
General Counsel
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505
(615) 741-5015

Joe A. Conner, Esq.
Baker, Donelson, Bearman & Caldwell
1800 Republic Centre
633 Chestnut Street
Chattanooga, Tennessee 37450-1800

A handwritten signature in black ink, appearing to read 'T. C. Phillips', is written over a horizontal line.

Timothy C. Phillips
Assistant Attorney General